

BNFL was able to bid a 10% after-tax rate of return on the AMWTP facility at the INEEL--and this bid included their financing charges and profit.

Based on this bid by a contractor whose borrowing is backed by the British government, DOE awarded the AMWTP contract to the one company that can live within the financing assumptions in the DOE privatization model. While DOE may claim the AMWTP contract proves that 10% is a realistic cost of private financing, it has actually put a foreign corporation--BNFL--in a position to establish a monopoly in privatized cleanup contracts. Given their low capital cost, BNFL can drive competitors out of the market and then re-negotiate their contracts at more favorable rates after they have established a monopoly position in the industry. BNFL's risk in this process is minimal since it has few assets in this country.

### Conclusion:

By embarking on a privatization program based on faulty assumptions, and by failing to understand either the nature or the implications of real privatization, DOE is creating a massive future mortgage on the nuclear waste cleanup program. The costs of the mortgage have not been discussed in the AMWTP even though they will affect the ability of the contract to be successfully concluded. To avoid consuming a large portion of the cleanup program's assets simply to cover cost of capital and rate of return expenses, DOE has turned the 'privatized' cleanup program over to a foreign government corporation with a poor environmental record. This option only succeeds in the short run because it uses foreign capital to subsidize the US cleanup program long enough to drive US contractors out of the market. After this happens, BNFL will be able to establish a monopoly in cleanup area and raise its prices accordingly. It is time to recognize the AMWTP for what it is--a poorly conceived idea whose only goal is to delay capital payments for plant construction.

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<sup>1</sup> Advanced Mixed Waste Treatment Project Draft Environmental Impact Statement, DOE/EIS-0290-D, US Department of Energy, Office of Environmental Management, Idaho Operations Office, July, 1998, p. S-6.

<sup>2</sup> Greene County Planning Board v Federal Power Com. (1976, CA2) 559 F2d 1227, 7 ELR 20101 cert den 434 US 1086, 55 L Ed 2d 791, 98 S Ct 1280.

<sup>3</sup> Alternative Financing of Contracting Strategies for Cleanup Projects, United States General Accounting Office (GAO), GAO/RCED-98-169, May, 1998, p.2.

<sup>4</sup> Department of Energy, Office of Environmental Restoration and Waste Management, Project Performance Study Update, Independent Project Analysis, Inc., Reston, VA, April, 1996.

<sup>5</sup> DOE Privatization Study, Department of Energy, <http://www.doe.gov/privatization/report>, (March 12, 1997).

<sup>6</sup> Information Paper on the Waste Water and Sludge Treatment Privatization Project, Rocky Flats Field Office, Rocky Flats, Colorado, March 10, 1997, pp. 7.

<sup>7</sup> Budget Issues: Budgeting for Federal Capital, United States General Accounting Office (GAO), GAO/aimd-97-5, November 12, 1996.

<sup>8</sup> Alternative Financing of Contracting Strategies for Cleanup Projects, Op. Cit., pp. 37, 38.

<sup>9</sup> Advanced Mixed Waste Treatment Project Draft Environmental Impact Statement, Op. Cit., p. S-2.

<sup>10</sup> Alternative Financing of Contracting Strategies for Cleanup Projects, Op. Cit., p.29.

<sup>11</sup> Advanced Mixed Waste Treatment Project Draft Environmental Impact Statement, Op. Cit., p. S-9.